DEFINING ECONOMIC ROOTS OF GLOBALIZATION

CELINA GORE
What is Economics?

It is a social science discipline that studies **production**, **distribution**, and **consumption** of goods and services.

**Production**
- Making one or more materials into a good that is of higher utility or value

**Distribution**
- Delivery of goods to areas of demand

**Consumption**
- Exchange of money for goods
## ECONOMIC DEFINITIONS

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<thead>
<tr>
<th><strong>Trade</strong></th>
<th>the exchange of goods, services, and ideas</th>
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<tr>
<td><strong>Economy</strong></td>
<td>the methods and traditional ways a single nation determines how to produce and distribute goods and services</td>
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<td><strong>Global Economy</strong></td>
<td>the combined economies of individual developed, developing, and least developed countries</td>
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</table>
Globalization

a shift toward a more *integrated* and *interdependent* global economy
INTEGRATION

• **Efficiency** – combining of different economies and industries, promoting trade and economic growth

• **Foreign Exchange** – sharing of ideas and cultures across borders

• **Rise of Multinational Corporations** – companies with facilities in multiple countries
INTERDEPENDENCE

- **Cooperation** – countries rely on each other for mutual economic gain and development

- **Global Access** – one country’s labor and natural resources can benefit another
Historical Points of Economic Transition

How has technology historically transformed methods of production, distribution, and the consumption of goods?
Agriculture-Based Economies

- Communities grew food and made enough clothing for an entire local population
- Those close to each other would exchange goods
- Goods were only made by hand (clothes, furniture, horse shoes)
The Industrial Revolution (1800s)

- Began in England, then spread throughout Europe and U.S.
- Nations produced more goods than they needed and expanded trade with other nations
- New innovations (spinning jenny, steam power, water frame) increased volume of cotton and textile goods
- More goods shipped via sea transportation
Globalization of Trade via Modern Technology (1990-present)

- Faster transportation increased our ability to promote consumption worldwide
- The internet gives insight into needs of different countries
- Nations easily exchange money and invest in each other
- Purchases can be made by anyone
Factors that Expanded Global Trade

- Technology & the Internet
- Advancements in Transportation
- Increased Investments
- Less Trade Barriers
- International Division of Labor
THE GLOBAL COMMODITY CHAIN

A process used by corporations to

- network labor and gather resources
- transform resources into goods
- distribute goods to consumers

In short, a product’s path from producer to consumer (You!)
GLOBAL COMMODITY CHAIN PROCESS

1. Research & Development
2. Natural Resources
3. Manufacturing
4. Distribution
5. Marketing
6. Consumption
7. Waste
CASE STUDY: CHOCOLATE
CHOCOLATE AS COCOA

Research and Development

- Chocolate industries fund enhanced agricultural techniques
- Field schools educate growers on cocoa production and farming methods
- The Alliance of Cocoa Producing Countries works to improve cocoa quality, production, and sustainability
CHOCOLATE AS COCOA

Natural Resources

- Cocoa beans harvested on farms and plantations
- Traders, agricultural businesses, government buy beans from farmers
- Beans shipped to processing plants abroad
CHOCOLATE IN THE FACTORY

Manufacturing
- Cocoa beans go through grinding process
- Beans become cocoa powder, liquor, and butter
- Food industries use a combination of cocoa products to make chocolate goods

Distribution
- Final goods are packaged and shipped to distributors
CHOCOLATE ON THE MARKET

Marketing
- Advertising, retail stores, and vending machines influence consumer choices
- Retailers link manufacturers to the consumers
- Chocolate industry dominated by big brands fighting for sales

Research and Development Natural Resources Manufacturing Distribution Marketing Consumption Waste
Chocolate to You

Consumption

Waste
CONCLUSION

- Increased collaboration of developing and developed economies
- Greater cultural exchanges between nations
- Global cooperation is necessary for commodity chains to function
What if one part of the process was missing?

1. Research & Development
2. Natural Resources
3. Manufacturing
4. Distribution
5. Marketing
6. Consumption
7. Waste